

Message Text

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ACTION ARA-20

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FM AMEMBASSY MONTEVIDEO

TO SECSTATE WASHDC 5224

INFO USCINCSO

AMEMBASSY BUENOS AIRES

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C O N F I D E N T I A L MONTEVIDEO 2782

E.O. 11652: GDS

TAGS: PINT - UY - SOCI

SUBJ: URUGUAY ON THE MEND

SUMMARY

AFTER MANY YEARS OF GENERALLY PESSIMISTIC REPORTING, THERE IS A SENSE OF NOVELTY FOR THIS EMBASSY TO FIND ITSELF REPORTING POSITIVE, ENCOURAGING AND EVEN OPTIMISTIC SIGNS THAT THE SITUATION IN URUGUAY MAY AT LONG LAST BE ON AN UPSWING. AN UNUSUALLY RADIANT AND BENIGN SOUTHERN SPRING MAY BE AFFECTING OUR COLLECTIVE JUDGMENT BUT AFTER NEARLY TWO DECADES OF WALLING IN STAGNATION, RECRIMINATION, VIOLENCE AND HELPLESSNESS THERE ARE NUMEROUS INDICATIONS, LIKE TENDER GREEN SHOOTS, THAT THE GENERAL ECONOMIC AND PSYCHOLOGICAL SITUATION IN URUGUAY IS IMPROVING. NEVERTHELESS SERIOUS PROBLEMS REMAIN TO BE RESOLVED. END SUMMARY

2. AS WAS NOTED IN THE CASP OVERVIEW STATEMENT, URUGUAY'S
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MOST DIFFICULT PROBLEMS HAVE THEIR ORIGIN IN ATTITUDES OF MIND.

A PERVADING SENSE OF DEFEATISM, AIMLESSNESS AND RESIGNATION INTERLARDS THE NUMEROUS, LARGELY INERT BUT CONTROL-MINDED BUREAUCRACY. WHETHER THIS IS A REFLECTION OF GENERAL ATTITUDES OR A CONTRIBUTORY CAUSE IS A MOOT POINT. IN RECENT WEEKS HOWEVER, THE STATE APARATUS PRODDED BY THE MILITARY SHOWS SIGNS OF CREAKING FORWARD. URUGUAYANS HAVE BEEN TREATED TO THE SPECTACLE OF HAVING DUE DATES PUBLICLY FIXED FOR THE ACCOMPLISHMENT OF COORDINATED GOVERNMENT GOALS. WHILE THE BUREAUCRACY MAY ACCOMMODATE ITSELF TO THIS CHALLENGE BY APPOINTING COMMITTEES "TO STUDY THE MATTER" THUS OSTENSIBLY MEETING THE DEADLINE, A SIGNIFICANT PRINCIPLE HAS NEVERTHELESS BEEN SET. MORE URUGUAYANS ARE NOW WORKING HARDER THAN THEY USED TO AND THERE IS A LITTEL MORE HOPE FOR THE FUTURE.

3. WE HAVE OBSERVED NEW ATTITUDES ON THE DESIRABILITY OF FOREIGN CAPITAL INVESTMENT, GROWING CONVICTION THAT URUGUAY HAS A VARIETY OF MARKETABLE RESOURCES, A STRONG DESIRE TO INCREASE EXPORTS, GREATER IMPATIENCE WITH GOVERNMENT CONTROLS AND A TURNING TOWARDS THE PRIVATE SECTOR. ALMOST ANY ONE OF THESE NEW ATTITUDES WOULD HAVE SEEMED PIPE DREAMISH A FEW MONTHS AGO. ESPECIALLY ENCOURAGEING IS THAT THESE NEW ATTITUDES HAVE SPRUNG FROM NEW PERCEPTIONS OF URUGUAYAN CONDITIONS BY THE URUGUAYANS THEMSELVES. THEY REPRESENT AN URUGUAYAN RESPONSE TO URUGUAYN PROBLEMS WITH ALL THAT IMPLIES.

4. INDICATIVE OF ENCOURAGING DEVELOPMENTS ARE THE FOLLOWING: THERE IS THE FIRST INSTANCE IN A LONG TIME OF AN IMPORTANT FOREIGN CAPITAL INVESTMENT. (A SIZEABLE INVESTMENT IN THE FISHING INDUSTRY). THERE ARE REPORTS THAT SWISS CAPITAL IS INTERESTED IN URUGUAY. A MULTI-MILLION DOLLAR VACATION COMPLEX INVESTMENT MAY BE IN THE OFFING. MONTEVIDEO'S RACHITIC STOCK MARKET IS SHOWING SIGNS OF LIFE AND RISING PRICES. OUR COMMERCIAL AND INDUSTRIAL CONTACTS ALMOST WITHOUT EXCEPTION REPORT INCREASES IN PRODUCTION. IN SOME CASES, ALL-TIME PRODUCTION HIGHS ARE BEING RECORDED. SOME COMPANIES ARE MAKING PROFITS FOR THE FIRST TIME IN YEARS. SOME REPORT A DEVELOPING SENSE OF MUTUALITY OF INTERESTS BETWEEN LABOR, MANAGEMENT AND THE GOVERNMENT. A MAJOR FACTOR IN INCREASED PRODUCTIVITY IS THE ABSENSE OF THE ALMOST CHRONIC LABOR STRIFE THAT CHARACTERIZED

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URUGUUYERETOFORE. MINISTER OF LABOR BUGALLO TOLD ME RECENTLY THAT AT ONE FACTORY THE WORKERS HAD COLLECTED A FULL MONTH'S SALARY FOR THE FIRST TIME SINCE 1966. THE OUTLAWED COMMUNIST-DOMINATED LABOR CONFEDERATION FADED FROM THE SCENE ALMOST OVERNIGHT WITH SCARCELY A WHIMPER, ALTHOUGH NO ONE DOUBTS THE HIGHLY-TRAINED AND MILITANT LEADERSHIP IS ONLY BIDDING ITS TIME FOR A COMEBACK.

5. THERE HAS BEEN A POSITIVE PUBLIC RESPONSE TO RECENT HIGH LEVEL GOVERNMENT MEETINGS AT WHICH THE EXECUTIVE BRANCH ASSIGNED PRIORITIES AND ALLOCATED RESOURCES. ACCORDING TO HIGH LEVEL MILITARY PARTICIPANTS AT THAT MEETING, A NEW ERA OF DECLINING GOVERNMENT CONTROLS, OF INCRASING PARTICIPATION BY THE PRIVATE SECTOR AND OF A COMMITMENT TO EFFICIENCY AND HONESTY IS AT HAND. WHAT IS ALREADY APPARENT IS THAT THE GOVERNMENT SEEMS TO BE WORKING WITH A NEW TEAM SPIRIT. THIS "DEFINITION" OF ADMINISTRATION POLICY IF IT IS IMPLEMENTED AND IS HELD TO IS THE KEY FACTOR FOR THE FUTURE. CONTINUED UNCERTAINTY WOULD BE LIKE A KILLING FROST TO NEWLY SPROUTED HOPES.

6. GENERALLY FAVORABLE INTERNATIONAL PRICES FOR URUGUAY'S AGRICULTURAL PRODUCTS IS A STRONGLY POSITIVE FACTOR ALTHOUGH THE WOOL MARKET IS ALWAYS CHANCY AND GOVERNMENT POLICIES THUS FAR HAVE NOT ENCOURAGED A SIGNIFICANT INCREASE IN CATTLE SLAUGHTER THOUGH CATTLE HERDS ARE REPORTEDLY AT RECORD LEVELS.

7. THERE IS A NOTABLE AND WELCOME ABSENCE OF POLITICAL DIATRIBE. POLITICAL LEADERS SEEM FORLORN AND DISPIRITED AND ALMOST WITHOUT INVLUENCE. ON NEARLY ALL FRONTS THE MARXIST LEFT IS ON THE DEFENSIVE. ITS LABOR BASE HAS BEEN DISBANDED, ITS STRIDENT PROPAGANDA MEDIA ARE SUBJECT TO FREQUENT AND METHODICAL GOU HARRASSMENT AND SHORTAGES OF FUNDS. EVEN IN THE UNIVERSITY, THEIR BASTION, THE MARXISTS RUN SCARED. AT PRESENT THE MOST EFFECTIVE MARXIST RESISTANCE IS CONCENTRATED IN THE HIGH SCHOOLS, MANY OF WHICH RESEMBLE BATTLEFIELDS BUT HERE TOO, THE MARXISTS ARE ON THE DEFENSIVE.

8. THE FOREGOING ATTEMPTS TO SKETCH THE OUTLINES OF THE CONFIDENTIAL

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ENCOURAGING SIGNS WE ARE OBSERVING. HOWEVER, THERE ARE ALSO DISCOURAGING FACTORS THAT MUST BE WEIGHED. THE GOVERNMENT HAS NOT YET DEVELOPED A SUCCESSFUL POLICY FOR THE KEY AGRICULTURAL SECTOR. EXPORTS MAY FALL SHORT OF EXPECTATIONS (ALTHOUGH THEY WILL DEFINITELY REACH RECORD LEVELS) AND IMPORTS ARE NOT ADEQUATE TO COVER MANUFACTURING REQUIREMENTS FOR KEY MATERIALS. ALL WORKING PEOPLE ARE HAVING A VERY ROUGH TIME MAKING ENDS MEET IN THE FACE OF A CONTINUING INFLATION. LIFE FOR MOST HAS NOT NOTICEABLY IMPROVED AND THE QUALITY OF LIFE CONTINUES TO DECLINE. PUBLIC SERVICES ESP
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